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DEPARTMENT OF STATE A/CDC/R 845 K. 2614/7-3156

FOREIGN SERVICE DESPATCH

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DESP. NO.

FROM : AMCONGEN, Accra, Gold Coast

RDS☐or XDS☐EXT. DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON. REASON(S) July 31, 1956

ENDORSE EXISTING MARKINGS ☐

REF : Accra Despatch No. 228, May 15, 1956. DECLASSIFIED ☐ RELEASABLE ☐ RELEASE DENIED ☐

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SUBJECT: Public Statements Regarding the Volta River Project. 1 copy to [illegible]
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RMR-MKB 4/11/57

The release on July 27, 1956 of the three volume study of the Volta River Project by the Preparatory Commission resulted in considerable publicity in the local press, with summaries of the findings of the Commission. General statements were also issued by the Prime Minister of the Gold Coast, Aluminium Limited of Canada and the Secretary of State for the Colonies.

The Prime Minister emphasized that the Gold Coast Government is not committed in any way at this stage, and that the people must make up their minds about the project. Meanwhile, the Prime Minister will discuss various aspects with the other parties concerned. He indicated support for the project in general. The statement had two particularly significant paragraphs. The Prime Minister cautioned people to "remember that before a satisfactory partnership can be negotiated it is possible, and even probable, that all parties may wish to propose changes of major substance in the terms and conditions on which the project, as contemplated in the White Paper, should be carried out." He also warned that "such a plan might well involve our country in sweeping changes and, if embarked upon, must inevitably call for some sacrifice and restraint during the period of construction."

The statement of Aluminium Limited of Canada was quite blunt and rather candid. The text, as given in the local press, is quoted in full below.

> "Since 1952, several significant forces bearing on the future of the Volta River Project have been at work. The past four years have witnessed a continuing inflation of construction costs and more recently interest rates have been rising.
>
> Further rises
>
> "The possibility of further rises in costs and interest rates has a special bearing on the Volta River Project owing to the lengthy construction period for the dam, hence the increased difficulty of forecasting, at the time when a decision to proceed is taken, the operating costs of the project.
>
> "These elements have affected the attractiveness of the scheme so that on the 1952 framework, the prospective return on /

DWLamm/bnl.
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on capital in the proposed aluminium producing company is now substantially lower than estimated at that time.

"Despite the foregoing developments, Aluminium Limited continues to believe that the Volta Project could be developed satisfactorily, provided it is possible to make arrangements for the financing and the division of responsibilities and risks which would be satisfactory under present conditions.

"These arrangements must be such that there are prospects of a sufficient return for the capital which would be invested by Aluminium Limited to compensate for the risks inherent in a new area where industrialisation will involve special problems arising from the relative lack of basic requirements such as skilled labor, communications and town sites.

"It will also be necessary, of course, that the climate for investment in the Gold Coast should continue to be such that private investors will have reasonable security for their capital.

"Aluminium Limited has recently confirmed to the British and Gold Coast Governments its serious interest in the [redacted] Volta River Project. The financial problems involved are being studied and with the possible co-operation of the World Bank, means may be found of carrying forward this project to a successful completion once the Gold Coast has achieved independence within the Commonwealth".

The Secretary of State summarized the findings of the Preparatory Commission, pointed out that none of the parties is, as yet, committed, and that, "because of the substantial increase in the estimated capital cost of the project, it will be necessary to review both the framework and the method of finance. He stated that "as the next step the International Bank is being invited to make a general assessment of the project and to indicate the extent to which it would be willing, in principle, to participate in it if agreement on the framework could be reached between the two Governments and the aluminium companies".

It will be noted that all parties have now publicly recognized the need for extensive revisions of the Preparatory Commission's conception of the project. The statements summarized above should be considered in the light of the Despatch under reference and previous Despatches on the same subject.

Donald W. Lamm
American Consul General

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